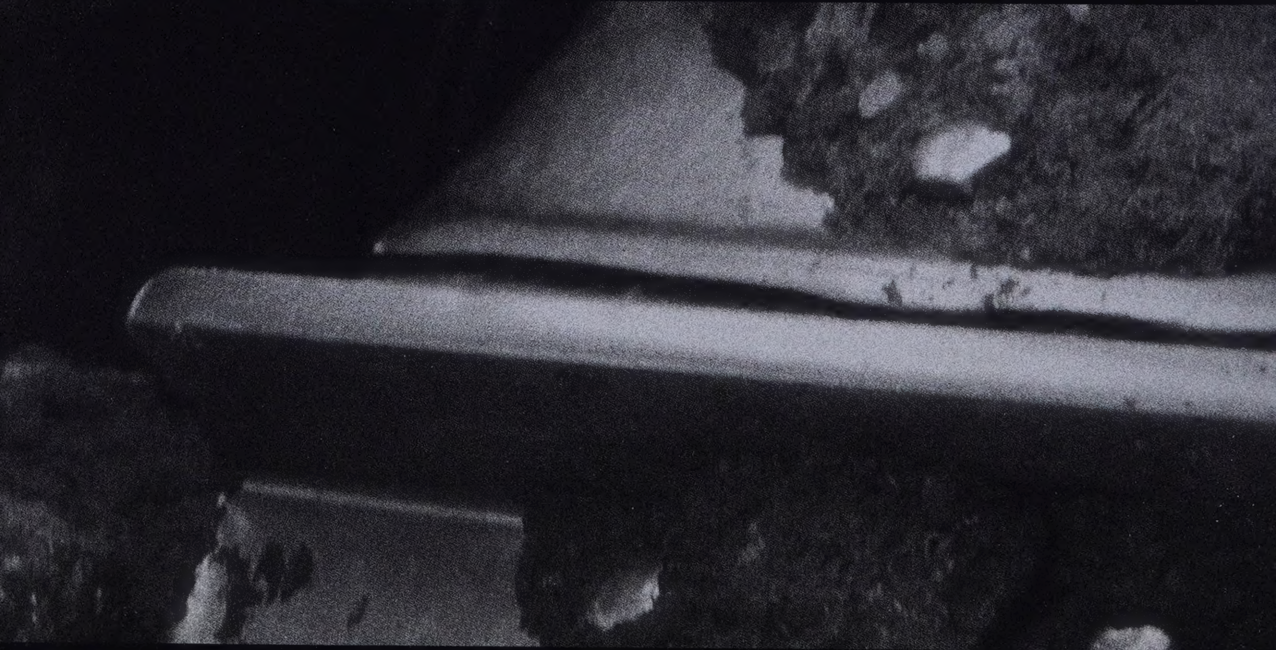
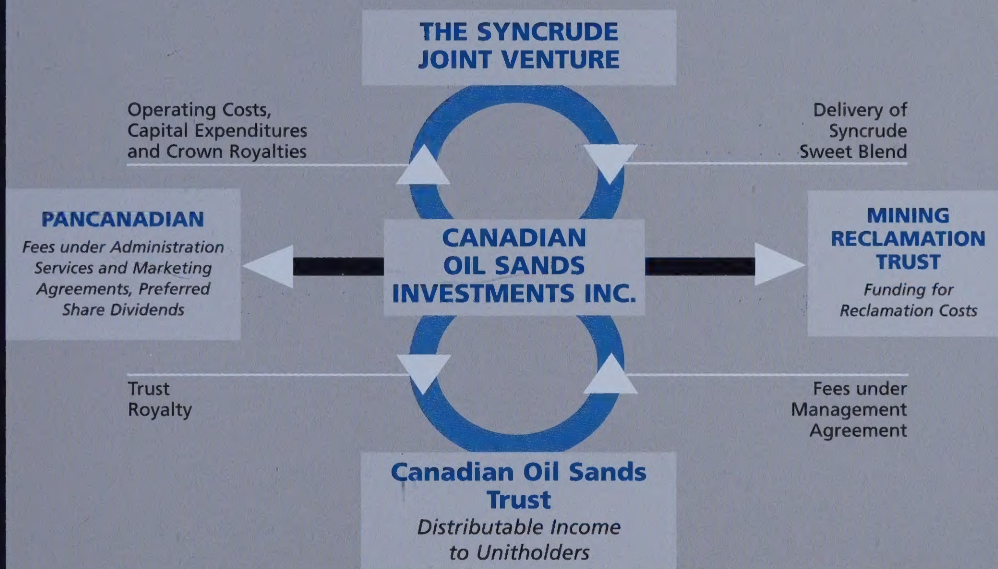
1999 ANNUAL REPORT

CANADIAN OIL SANDS TRUST



Information provided in this Annual Report with respect to future years is Canadian Oil Sands' best estimate of future events and is based on assumptions and anticipated results that are subject to uncertainties. Actual results may vary significantly from those anticipated due to many factors including changes in business strategy, crude oil prices, the Canadian/US currency exchange rate, industry conditions, timing of expenditures, the availability and prices of goods and services as well as government regulations and operating risks. Canadian Oil Sands undertakes no obligation to update publicly or otherwise revise any information related to future years, future events or otherwise.

CORPORATE STRUCTURE



81,400,000 BARRELS OF SYNCRUDE SWEET BLEND WERE PRODUCED IN 1999

CORPORATE PROFILE

Canadian Oil Sands Trust was established in June, 1996 and through its subsidiary, Canadian Oil Sands Investments Inc., holds a 10 percent interest in the Syncrude Joint Venture, the world's largest oil sands mining project. Canadian Oil Sands is administered by PanCanadian Petroleum Limited and management of the Trust is overseen by a Board of Directors. The Trust's 27 million units are owned by investors in Canada and internationally, and are traded on The Toronto Stock Exchange under the symbol CO.UN. Historically, the Trust has paid quarterly distributions to its Unitholders.

The Syncrude Joint Venture was formed to produce synthetic crude oil from oil sand deposits located approximately 40 kilometers north of Fort McMurray, Alberta. The long-life assets are operated by Syncrude Canada Ltd., a company which is owned by the 9 participants in the Syncrude Joint Venture in the same proportions as their interest in the Joint Venture.

CORPORATE HIGHLIGHTS

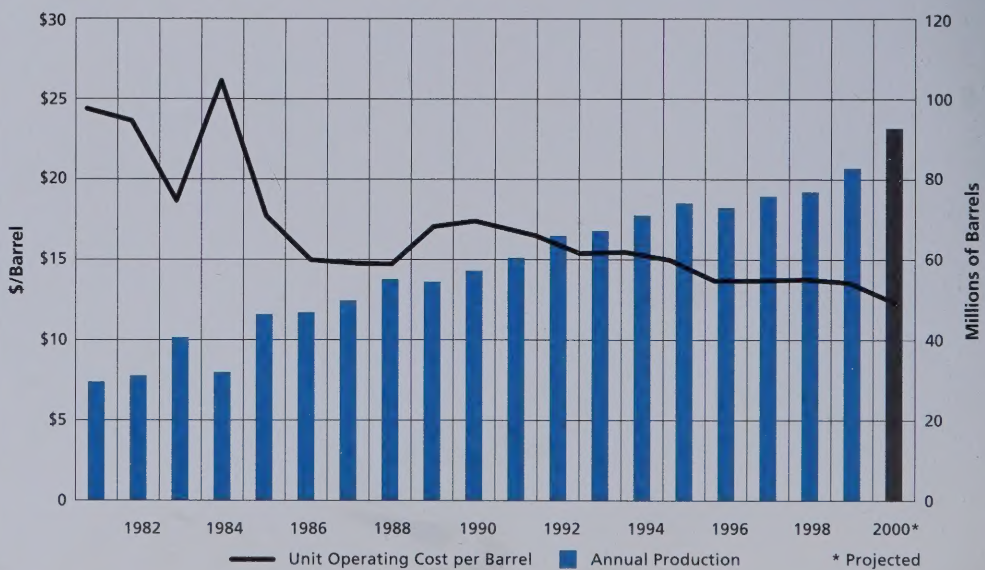
(in thousands except as otherwise indicated)	1999	1999 Per Trust Unit	1998	1998 Per Trust Unit
Net Income	**$ 70,949**	**$ 2.63**	$ 18,010	$ 0.68
Cash Flow from Operations	**$ 104,442**	**$ 3.87**	$ 48,022	$ 1.81
Distributions to Unitholders	**$ 54,000**	**$ 2.00**	$ 17,550	$ 0.65
Capital Expenditures	**$ 75,090**	**$ 2.78**	$ 49,550	$ 1.87
Daily Average Sales Volume (barrels)				
Syncrude Sweet Blend	**22,356**		20,997	
Average Selling Price (dollars per barrel)				
– At Plant Gate	**$ 27.93**		$ 20.40	
– After Hedging Settlements	**$ 27.36***		$ 20.60	
Unit Operating Costs (dollars per barrel)	**$ 12.57**		$ 13.53	

Year Ended December 31

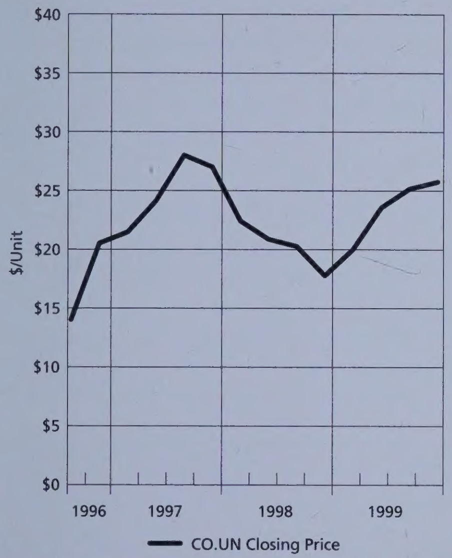
* On the cash basis

INCREASING PRODUCTION, LOWER OPERATING COSTS AND IMPROVED CRUDE OIL PRICES GENERATE RECORD CASH FLOW

PRODUCTION AND UNIT OPERATING COSTS



TRADING PERFORMANCE OF TRUST UNITS



HISTORY OF CONTINUOUS QUARTERLY DISTRIBUTIONS

RECORD DISTRIBUTIONS SUPPORT A 45% APPRECIATION IN TRUST UNIT TRADING PRICE WHILE RETAINING BALANCE SHEET STRENGTH FOR GROWTH

	Year Ended December 31	
(in thousands except as otherwise indicated)	**1999**	1998
Balance Sheet Strength		
Cash on hand	**$ 68,908**	$ 83,580
Unused lines of credit	**$ 250,000**	$ 250,000
Financial resources available	**$ 318,908**	$ 333,580
Financial Ratios		
Debt to operating cash flow	**1.00**	2.20
Net debt to operating cash flow	**0.30**	0.50
Debt to total capitalization	**0.19**	0.20
Net debt to total capitalization	**0.07**	0.05
Net debt to total market capitalization	**0.04**	0.05

TO OUR FELLOW UNITHOLDERS

In 1999, Canadian Oil Sands distributed $2.00 per Trust Unit, the highest annual distribution in its short history. When coupled with the $8.00 appreciation in the Trust Unit value during 1999, our Unitholders' total return was in excess of 50 percent over the past year. At the end of 1999, the Trust Units were trading at $25.75 compared to $17.75 at the end of 1998. Since its inception, Canadian Oil Sands has distributed $5.38 per Trust Unit while the trading value of the Trust Units has appreciated over 80 percent compared to the Initial Public Offering price of $14.00.

The distribution of $54 million to Unitholders in 1999 was made possible with the recovery of crude oil prices in the second half of the year along with exceptional operating performance resulting in a 7 percent drop in unit operating costs. Although averaging US$19.30, the volatility of oil prices during 1999 confirmed the appropriateness of our financial strategy of maintaining a strong balance sheet to fund capital spending commitments. While the Syncrude Joint Venture's capital expenditures totalled $751 million in 1999 (a record level of capital spending), Canadian Oil Sands' balance sheet remains strong with cash balances of $69 million and unused lines of credit totalling $250 million at year end.

Syncrude's twenty years of experience has produced a remarkably consistent record of increasing production while reducing unit operating costs. In 1999, production was 81.4 million barrels, an increase of 6 percent over the 76.7 million barrels produced in 1998 and a new annual production record. This growth is attributed to operational know-how as well as increased processing capacity with a second train in the North Mine and the addition of a vacuum distillation unit to the Mildred Lake upgrading facilities.

Syncrude's unit operating cost of $12.64 per barrel for 1999 is a 7 percent reduction from 1998 and the lowest in the Joint Venture's history. The key to reducing Syncrude's unit operating costs was to produce more while maintaining control over the relatively fixed cost base. While absorbing the start-up costs of the second train in the North Mine and the vacuum distillation unit, Syncrude was able to extend the run length of its cokers to new records. Since inception, Syncrude has more than doubled the coker run lengths and increased throughput volumes by 40 percent.

The construction of the Aurora Mine progressed as planned during 1999 with commissioning anticipated in mid-2000. The Aurora Mine is a high quality ore body with low operating costs and provides a new source of long life reserves for the Syncrude Joint Venture. The continued focus on lowering unit operating costs in all areas of the Syncrude Joint Venture is fundamental to enhancing its future profitability.

On December 21, 1999, the Alberta Energy and Utilities Board approved the expansion of the Syncrude Joint Venture's upgrading capacity to 173 million barrels, an 80 percent increase from its previously approved limit. The owners of the Syncrude Joint Venture approved the funding of engineering costs to enable the owners to make a decision on starting construction of Stage III to the Syncrude 21 expansion plan in early 2001. Subject to final cost estimates, Canadian Oil Sands is a supporter of Stage III as it adds significant value. Stage III should increase the annual capacity from 81 million barrels in 1999 to 130 million barrels in 2004 and unit operating costs should continue to trend lower.

During 1999, Canadian Oil Sands eliminated its currency exchange commitments beyond June 2006 and swapped the underlying $30 million value into contracts which reduce the exchange rate on its crude oil sales revenue to June 2006 from US$0.694 to US$0.658. Through 2006, this reduction in exchange rate will add more than $30 million of incremental cash flow and aligns the benefit of Canadian Oil Sands' currency exchange contracts with the capital intensive expansion of the Syncrude Joint Venture. In addition, the amount of US dollars sold forward has been reduced from US$1.3 billion to US$450 million which significantly dampens the volatility in the mark-to-market valuation of Canadian Oil Sands' currency exchange contracts.

Canadian Oil Sands' risk management program is intended to protect its balance sheet and ensure cash flow is available to meet capital expenditure commitments and maintain a reasonable level of distributions to Unitholders. In 1999, Canadian Oil Sands' crude oil price hedging activity reduced its revenues by $4 million. Canadian Oil Sands has entered into crude oil price contracts on approximately one-third of its 2000 production which could reduce revenues if crude oil prices remain at levels experienced during the last quarter of 1999. However, we continue to believe a price hedging program designed to protect against a severe oil price downturn, as encountered in late 1998 and early 1999, is important during the period of heavy capital spending associated with the Syncrude 21 expansion plan.

For 2000, the Syncrude Joint Venture is targeting:

- production of 92.5 million barrels of Syncrude Sweet Blend
- a unit operating cost at or below $12.00 per barrel
- the commissioning of the mining and extraction facilities of the Aurora Mine, and
- completion of the engineering required to approve Stage III of the Syncrude 21 expansion plan.

Based on these expectations and an average West Texas Intermediate price of US$19.00, Canadian Oil Sands anticipates its distributions in 2000 will approximate $2.00 per Trust Unit, subject to sensitivities in oil prices, capital spending, production levels, operating costs and currency exchange rates. The reduced level of capital spending anticipated in 2000 results in a significant increase in Crown Royalty payments compared to the $4.4 million paid in 1999. The Syncrude Joint Venture's ability to further reduce operating costs and adjust its capital spending plans may increase distributions. This estimate of distributions is based on many variables and could change should one or more of these or other uncertainties occur.

Canadian Oil Sands is appreciative of the efforts and dedication of the personnel employed by the Syncrude Joint Venture for their commitment to maintaining a safe, reliable operation while achieving record setting production at low unit operating costs. The efforts of the PanCanadian employees who provide Canadian Oil Sands with administrative services is also recognized.

C.E. (Chuck) Shultz
Chairman of the Board

B.A. Stevens
Chief Executive Officer

QUESTIONS AND ANSWERS WITH CHUCK SHULTZ

CHUCK SHULTZ
Chairman of the Board,
Canadian Oil Sands

WHAT IS CANADIAN OIL SANDS' DISTRIBUTION POLICY?

Since inception, we have maintained a policy of continuous quarterly distributions as anticipated in Canadian Oil Sands' Initial Public Offering prospectus. Our Board of Directors has a strong commitment to a continuous distribution stream. In 1998, Canadian Oil Sands bolstered its balance sheet with $92 million of additional equity and increased its bank lines of credit to $250 million to ensure our full participation in the Syncrude 21 expansion plans. When approving each quarter's distribution, the Canadian Oil Sands' Board of Directors reviews the Syncrude operations, oil price expectations and the future economic outlook to ensure our balance sheet strength is maintained to fund future growth.

WHY DOES CANADIAN OIL SANDS HEDGE OIL PRICES?

Canadian Oil Sands has pursued a policy of hedging future oil prices to support continuous distributions to our Unitholders and to maintain a strong balance sheet in a highly volatile oil price market while committed to significant capital expenditures. Recently, West Texas Intermediate prices have gyrated from US$11.50 per barrel in February 1999 to a high of over US$30 per barrel in February 2000. Through the completion of Stage III in 2003, we expect Syncrude operating costs to average US$8.50 per barrel and capital expenditures to average approximately US$7.25 per barrel. An average oil price in excess of US$15.75 per barrel is required to avoid a negative cash flow after capital expenditures during Stage III.

Canadian Oil Sands' Board of Directors has approved an oil price hedging strategy with the maximum hedgeable volumes set at 50 percent of the anticipated production for the next twelve months and 25 percent of the anticipated production for the following six months. To reduce the downside oil price risk, we have used "costless collars" which provide price floors from US$16 to US$19 per barrel and price ceilings of US$21 to US$25 per barrel. If crude oil prices again fall dramatically, the volume sold forward should ensure that our balance sheet is not impaired during the next few years of heavy capital spending. The specific price ranges currently under contract are detailed on page 14 of this Annual Report.

WHY DID CANADIAN OIL SANDS CHANGE ITS CURRENCY HEDGING IN 1999?

Canadian Oil Sands' cash flow is affected by currency exchange fluctuations as its revenues are denominated in US dollars while operating costs, normally 50 percent of sales revenue, are denominated in Canadian dollars. By hedging 50 percent of expected revenues, the extent of a squeeze in operating margins due to currency exchange fluctuations is reduced. However, with over US$1.3 billion hedged, the mark-to-market value of the currency exchange contracts has at times fluctuated beyond our comfort level.

During 1999, there was an opportunity to crystallize a gain of approximately $30 million by trading the currency exchange commitments beyond June 2006 for an exchange rate reduction of US$0.036 on US$466 million to be exchanged prior to June 2006. This trade will result in an additional $30 million of cash flow during a period of high capital spending as well as capturing a significant gain. This emphasis on protecting our financial resources during periods of high capital spending is sound risk management.

WHAT IS THE IMPACT OF RISING NATURAL GAS PRICES ON SYNCRUDE'S OPERATING COSTS?

The Syncrude Joint Venture uses natural gas primarily to produce hydrogen for the upgrading process as well as for use in its utility plants to provide electrical power and steam for the extraction process. In 1999, natural gas costs totalled $128 million ($1.57 per barrel of Syncrude Sweet Blend produced) and represented approximately 12.5 percent of unit operating costs. In 2000, a $0.10 per MCF increase in natural gas prices would increase the Syncrude Joint Venture's operating costs by $6 million, a change of $0.06 per barrel.

The Syncrude 21 expansion plan introduces technologies that reduce the amount of natural gas consumption on a per barrel basis. For example, the oil sand mined is currently conditioned using hot water (80°C) while the oil sand from the Aurora Mine will use a low temperature water process (25°C). This reduction in temperature will result in a 40 percent drop in the energy required and is expected to lower unit operating costs for the Aurora Mine by approximately $0.40 per barrel.

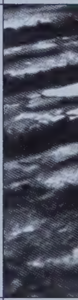
THE SYNCRUDE JOINT VENTURE

The Syncrude Joint Venture was formed to create value from the development of the oil sand deposits in the Athabasca region. Since operations commenced in 1978, the Syncrude Joint Venture has produced over one billion barrels of synthetic oil, reduced unit operating costs from over $20 to $12.64 per barrel and has increased annual production capacity to over 80 million barrels from less than 30 million barrels. Canadian Oil Sands Trust, through its wholly owned subsidiary, owns a 10 percent interest in the Syncrude Joint Venture.

The Syncrude Joint Venture continues to build value with its Syncrude 21 expansion plan which is targeted to double production by 2008 with a market-driven staged development plan. The creation of value requires a reserve base to support a long period of non-declining production, the development of markets for the new anticipated "Sweeter-Than-Sweet" product and the ability to execute the expansion plan within expectations as well as to reliably operate the facilities while continuously reducing costs. Over the past twenty years, the Syncrude Joint Venture has demonstrated the ability to operate a safe, reliable facility while reducing costs and has acquired sufficient oil sand leases to support its planned operations over the next fifty years.

THE RESERVE BASE

The oil sand deposits mined by the Syncrude Joint Venture are located near Fort McMurray in northeastern Alberta. The mineable portion of these large accumulations of oil sands are buried beneath up to 30 metres of overburden in seams which vary in thickness, sand consistency and bitumen saturation. One of the criteria required to substantiate a proven status for oil sand deposits using surface mining extraction technologies is the total volume of material required to be moved relative to the amount of bitumen recoverable using known technologies.



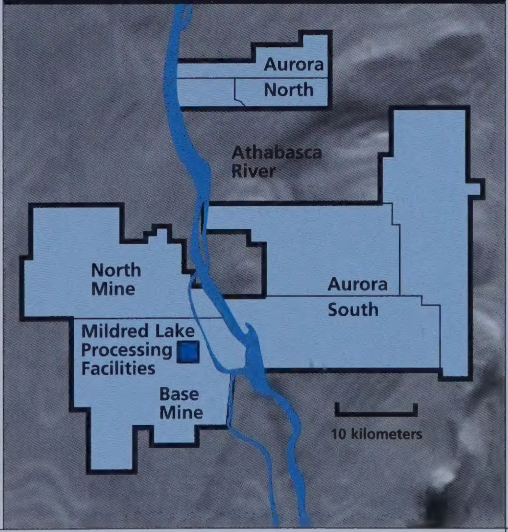
Prior to 1999, the Syncrude Joint Venture had focused its operations on the Mildred Lake leases, initially at the Base Mine and more recently, at the North Mine. The North Mine and the Base Mine had proven producing reserves estimated at 1,634 million barrels of Syncrude Sweet Blend as of January 1, 2000, with Canadian Oil Sands' share being 163.4 million barrels.

On March 26, 1998, the Syncrude Joint Venture received regulatory approval from the Alberta Energy and Utilities Board to develop the Aurora North Mine and in June of 1998, the owners of the Syncrude Joint Venture approved the capital expenditures required to develop the Aurora Mine. Based on data from extensive drill hole coring analysis, the estimated recoverable reserves from the Aurora North Mine are over 2,200 million barrels of Syncrude Sweet Blend. As of January 1, 2000, Canadian Oil Sands has recognized 1,116 million barrels as proven non-producing reserves of Syncrude Sweet Blend and production from these reserves will commence in May 2000.

As of January 1, 2000, the proven reserves of Mildred Lake leases and the Aurora North leases combine to total 2,750 million barrels which, based on its 1999 production capacity of 81.4 million barrels, provides Canadian Oil Sands with a reserve life index of 34 years. Canadian Oil Sands' estimate of proven reserves has been reviewed by Gilbert Lausten Jung Associates Ltd., independent reservoir engineers, who are highly confident these reserve estimates will be met or exceeded.

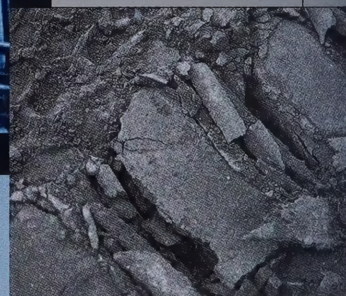
The owners of the Syncrude Joint Venture also hold three oil sands leases adjacent to the Mildred Lake leases and these leases are estimated to contain over 4 billion barrels of recoverable bitumen. Although there has been preliminary drill hole coring, no proven reserves will be attributed to the Aurora South leases until the density of drilling is increased and a formal plan to develop the reserves has been approved.

OVERVIEW OF THE SYNCRUDE RESERVE BASE



THE VACUUM DISTILLATION TOWER

Commissioned in November, 1999 at the Mildred Lake Upgrading Facilities



360 TON HAUL TRUCK

Currently operating in the North Mine

REVIEW OF 1999 OPERATIONS

In 1999 the Syncrude Joint Venture produced 81.4 million barrels of light sweet crude oil, known as Syncrude Sweet Blend, at an operating cost of $12.64 per barrel and incurred $751 million in capital expenditures, the highest level of capital spending in Syncrude's history. Capital investments of $631 million were incurred to develop the Aurora North Mine and de-bottleneck the Mildred Lake upgrading facilities while $120 million was incurred to sustain existing operations. Due to its low sulphur and no residual bottoms, Syncrude Sweet Blend sells at prices approximating the West Texas Intermediate benchmark. With the West Texas Intermediate oil price averaging US$19.30 in 1999, the Syncrude Joint Venture provided its owners with $449 million of net cash flow, after deducting $751 million of capital expenditures.

The Syncrude Joint Venture's production of 81.4 million barrels in 1999 established an annual production record, the 18th annual record in 21 years of operation. In addition, daily, weekly and monthly production records were set in 1999. The 4.7 million barrel increase in annual production over the prior year's record of 76.7 million barrels is attributed to the absence of a coker shutdown in 1999 and the additional oil sand feedstock available from the two trains in the North Mine. With oil prices near US$12.00 in early 1999, a decision was made to defer a coker shutdown to early 2000 in an effort to minimize operating costs. The commissioning of the first train in the North Mine in September 1997 and a second train in July 1999 enables the mining of 84 million tonnes of oil sands annually from the North Mine. The North Mine has replaced declining ore production from the Base Mine as well as added 10 percent additional productive capacity to support the expansion of the upgrading facilities. With the North Mine at full operation, two dragline/bucketwheel systems have been de-commissioned in the Base Mine.

The Syncrude Joint Venture's operating costs of $1,029 million in 1999 are virtually unchanged from the $1,040 million in 1998. The reduction in unit operating costs is attributed to producing 81.4 million barrels in 1999 compared to 76.7 million in 1998. While the level of expenditures remains unchanged, the savings from cost containment initiatives have been absorbed by increases in costs that are partially beyond the Syncrude Joint Venture's control. Compared to 1998, a 40 percent increase in natural gas costs more than offset a 10 percent reduction in independent contractor costs in 1999.

In response to the low crude oil prices encountered in late 1998 and early 1999, the Syncrude Joint Venture identified $70 million of cost containment initiatives including the deferral of a coker shutdown to 2000. Partially offsetting these initiatives, the fourth quarter operating costs were higher than anticipated due to several small production interruptions, some of which were associated with the extended run lengths of the cokers.

In 1999, the Syncrude Joint Venture's capital expenditures to sustain production from the existing Mildred Lake facilities totalled $120 million compared to $116 million in 1998. The Composite Tails Project accounted for $60 million of sustaining capital expenditures in 1999. The Composite Tails Project will convert the mature fine tailings to a predominately solid land form which will be incorporated into the reclamation plans for Mildred Lake leases. The aggregate cost of this Project is estimated at $120 million with a further $30 million to be spent in 2000 to complete this initiative.

The most prevalent greenhouse gas emission by the Syncrude Project is carbon dioxide (CO_2). The main sources of CO_2 emitted by the Syncrude Project are the coke burnt, refinery gas consumed in the upgrading furnaces and utility boilers and the emission of CO_2 in the production of hydrogen. In 1999, Syncrude's CO_2 emissions were reduced 5 percent compared to 1998 on a per barrel basis while aggregate CO_2 emissions remained unchanged at approximately 24,000 tonnes per day. Syncrude projects that in 2000 CO_2 emissions will continue to decline, in aggregate and on a per barrel basis, with the commissioning of the vacuum distillation tower in late 1999.

Syncrude continues its pledge to return the land to a stable, biologically self-sustaining state that has a productive capacity equal to, if not better than, its condition prior to mining. During 1999, approximately 230 hectares of land were reclaimed at a cost of over $3.6 million bringing the reclaimed land to date to 2,490 hectares including the planting of over 1.8 million trees.

THE "SYNCRUDE 21" EXPANSION

The Syncrude 21 expansion plan pursues a doubling of production while lowering operating costs and improving the return on invested capital. This economic growth plan continues to evolve as it is modified in response to a volatile crude oil price environment. The investment of $1.3 billion in Stages I and II has increased Syncrude's annual productive capacity from 75 million barrels in 1997 to over 90 million barrels in 2000. Remaining expenditures on Stages II, III and IV currently contemplate investing a further $4.8 billion to boost capacity to 165 million barrels of an even higher quality crude oil by 2008. While regulatory approval for the significant expansion of the Syncrude Joint Venture was received in late 1999, the owners require detailed engineering to be completed and an economic review prior to approving the next stage of the growth plan.

In 1999, crude oil prices increased steadily from US$12.00 in January to US$26.00 by year end, approaching their highest levels since the Gulf War in 1991. While the Syncrude 21 expansion plans announced in 1997 were constrained during the low oil price environment in 1998, revisions in 1999 have accelerated the planned pace. Capital spending plans will continue to be modified to balance capital spending with future operating cash flows including deferrals during periods of low oil prices.

Canadian Oil Sands continues to support the expansion of the Syncrude Joint Venture as well as its efforts to increase the reliability of the plant while lowering operating costs. The benefits of truck and shovel operations in the North Mine are apparent in the 1999 operating results with the 7 percent reduction in unit operating costs. The benefits of the recent de-bottlenecking of the upgrading facilities contributed to the 6 percent increase in production in 1999 with a further 10 million barrel increase anticipated in 2000. The economics of future growth plans, Stages III and IV, are driven by the incremental economics provided by the existing infrastructure and the benefits of applying new technologies to further reduce bitumen supply costs and improve environmental performance.

In 1999, expenditures on the Syncrude 21 initiatives totalled $631 million, an 85 percent increase over the $341 million of expansion spending in 1998. In late 1999, the owners of the Syncrude Joint Venture approved an $80 million commitment to complete the engineering work and enable the owners' approval of Stage III in early 2001. With the start-up of the Aurora North Mine in mid-2000, capital spending commitments will be modest pending the approval of Stage III.

Stage I (Capital Spending of $124 million in '99) is complete with two production trains providing approximately 40 percent of Syncrude's bitumen feed from the North Mine. Two dragline/bucketwheel systems have been de-commissioned in 1999 further reducing mining costs as well as extraction costs. The second train in the North Mine commenced operations in mid-July 1999. Our investment in Stage I has contributed to lower operating costs and provided a long-term source of bitumen supply to replace the Base Mine.

Stage II (Capital Spending of $482 million in '99) is over 90 percent complete with the vacuum distillation tower commissioned in November 1999 and the first production train of the Aurora North Mine expected to commence operations in mid-2000. The Aurora North Mine will use truck and shovel methods and a low temperature water process to prepare a bitumen slurry for the Mildred Lake upgrading facilities. When combined with the wet bitumen from the North Mine, the Mildred Lake facilities will be receiving over 60 percent of the bitumen supply in a hydrotransport slurry reducing the use of tumblers in the extraction plant. The vacuum distillation unit removes the top ends from the bitumen feed, approximately 35 percent of the volume, thereby increasing the capacity of the upgrading facilities as the coking units now process only the "topped bitumen", a much heavier material. The remaining cost to complete Stage II is estimated at $200 million. Our investment in Stage II increases the annual processing capacity of the upgrading facilities from 83 million barrels to 94 million barrels as well as provides the bitumen supply to feed the increase in processing capacity.

Stage III (Capital Spending of $25 million in '99) consists of a second production train in the Aurora North Mine and a significant expansion to the Mildred Lake upgrading facilities including a third fluid coker and related supporting facilities. In late 1999, the Alberta Energy and Utilities Board approved the expansion of the upgrading facilities to an annual capacity of 173 million barrels and extended the operating permit to 2035. Subsequent to this approval, the owners approved the final phase of engineering work required to develop the detailed design and cost estimates for the owners' final approval in early 2001. Stage III is currently estimated to cost approximately $3 billion and should, by the end of 2003, bring the Syncrude Joint Venture's productive capacity to 130 million barrels as well as produce a "Sweeter-Than-Sweet" Syncrude Sweet Blend product. The improved quality should increase the penetration of Syncrude Sweet Blend within its existing markets and will be an attractive blend for the growing diesel and jet fuel markets.

Stage IV consists of a third train in the Aurora North Mine and a further expansion to the Mildred Lake upgrading facilities. Stage IV would bring the Syncrude Joint Venture's annual production capacity to 165 million barrels at a unit operating cost approaching $11.50 per barrel. Similar to Stage III, this stage requires the approval of the Syncrude owners.

THE PRIMARY SEPARATION VESSEL

Aurora North Mine

THE DOUBLE ROLL CRUSHER UNIT

Aurora North Mine

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All tabular amounts are in thousands, except per barrel amounts)

The following discussion and analysis highlights key business results and statistics from the Consolidated Financial Statements and accompanying notes included in this Annual Report. This information may contain forward-looking statements introduced with such words as "anticipated", "expect", "plan" or similar words suggesting future outcomes. Readers are cautioned not to place undue reliance on forward-looking information which by its nature involves numerous assumptions, inherent risks and uncertainties. Actual results may vary significantly from those anticipated due to many factors including changes in business strategy, crude oil prices, the Canadian/US currency exchange rate, industry conditions, timing of capital expenditures, the availability and prices of goods and services as well as government regulations and operating risks.

OVERVIEW

Net income for the year totalled $70.9 million ($2.63 per Trust Unit) compared to $18.0 million ($0.68 per Trust Unit) for 1998. The $52.9 million increase in net income is primarily the result of improved oil prices in 1999 compared to 1998 offset by increases in Crown Royalties in 1999. Crown Royalties are higher in 1999 due to the combined impact of improved oil prices offset by higher Crown Royalty credits earned on increased capital spending in 1999 and the utilization of Crown Royalty credits accumulated in prior years.

Business Environment

The 1999 business environment for Canadian Oil Sands was dominated by weak oil prices early in the year with a significant recovery in the second half of the year. The West Texas Intermediate (WTI) price averaged US$12.49 in January and rose to an average of US$26.09 for December. The differential between the WTI benchmark price and the price Canadian Oil Sands received for Syncrude Sweet Blend delivered to Edmonton narrowed to less than US$0.10 per barrel throughout 1999. The Canadian/US dollar exchange rate averaged US$0.673 during 1999 compared to US$0.675 in 1998. As a result, Canadian Oil Sands realized an average price of $27.93 per barrel, prior to hedging, in 1999 compared to $20.40 in 1998.

	WTI Average Price (in US dollars)		Realized Oil Price (in Canadian dollars)	
	1999	1998	**1999**	1998
First Quarter	**$ 13.06**	$ 15.95	**$ 19.39**	$ 21.60
Second Quarter	**$ 17.66**	$ 14.68	**$ 25.15**	$ 20.95
Third Quarter	**$ 21.72**	$ 14.15	**$ 31.04**	$ 20.83
Fourth Quarter	**$ 24.51**	$ 12.92	**$ 35.65**	$ 18.59
For the Year	**$ 19.30**	$ 14.40	**$ 27.93**	$ 20.40

Production

Canadian Oil Sands' production in 1999 totalled 8.1 million barrels of Syncrude Sweet Blend, an increase of 6 percent over the 7.7 million barrels produced in 1998. This increase was achieved with the deferral of a scheduled maintenance turnaround to the first quarter of 2000 and the incremental bitumen supply provided by the second train in the North Mine. With the exception of a few minor disruptions, the Syncrude facilities operated smoothly throughout 1999 and included the commissioning of the world's largest vacuum distillation unit in November. Canadian Oil Sands' daily production averaged 22,356 barrels in 1999 compared to 20,997 in 1998. Production is reported on a before Crown Royalty basis.

Revenues

Canadian Oil Sands' revenues are an aggregate of the following:

	1999	1998
Sale of Syncrude Sweet Blend	**$ 227,469**	$ 155,516
Oil price hedging settlements	**(3,751)**	4,545
Currency exchange hedging settlements	**(3,134)**	(2,961)
Interest and other	**3,001**	4,193
	$ 223,585	$ 161,293

The price received from the sale of Syncrude Sweet Blend, after the marketing fee and the effects of oil price and currency exchange hedging, was $27.03 per barrel in 1999 compared to $20.55 per barrel in 1998.

The hedging settlements reflect the net cash receipts and payments required to settle the hedging contracts related to the 1999 and 1998 contracted term. Canadian Oil Sands has enhanced its 1999 cash position by swapping future currency exchange commitments for a reduced exchange rate in 1999 as well as future years. Accounting recognition of such enhancements (approximately $30 million in total of which $2.3 million was received in 1999) is deferred to the period of the initial commitment. Canadian Oil Sands' hedging positions are more fully described on page 14 of this Annual Report.

Interest and other revenue has remained relatively stable with the most significant portion in 1999 and 1998 attributed to interest earned on the proceeds from the equity issue completed in February 1998.

Operating Costs

Operating costs, including the Syncrude Joint Venture's administrative costs, for 1999 totalled $102.6 million ($12.57 per barrel) compared to $103.4 million ($13.53 per barrel) in 1998. The significant reduction in the unit operating cost is the result of producing an additional 470,000 barrels of Syncrude Sweet Blend within the Syncrude Joint Venture's relatively fixed operating cost structure.

Crown Royalties

Crown Royalties were substantially eliminated in 1998 by the 43 percent Crown Royalty investment credit on $49.5 million of capital spending.

In 1999, the $4.4 million Crown Royalties charge ($0.54 per barrel) was the result of the significantly improved oil prices which increased revenues by $72.0 million and the 43 percent Crown Royalty investment credit on capital spending only partially offsetting Crown Royalties payable. Note 12 to the Consolidated Financial Statements contains a detailed description of the Crown Royalty computations.

Capital Expenditures

Canadian Oil Sands' capital expenditures are comprised of the following:

	1999	1998
Lease acquisition costs	**$ –**	$ 3,850
Sustaining expenditures	**11,990**	11,620
Expansion expenditures	**63,100**	34,080
	$ 75,090	$ 49,550

Mining Reclamation Trust

Canadian Oil Sands contributed $0.9 million in 1999 and $0.8 in 1998 to its reclamation trust. It is anticipated that these contributions, including the accumulating interest, will provide sufficient funding to pay Canadian Oil Sands' share of the Syncrude Joint Venture's anticipated reclamation cost. Note 14 to the Consolidated Financial Statements contains the details of the funding requirements of the reclamation trust.

Administration Costs

Canadian Oil Sands' administrative costs for 1999 totalled $4.8 million ($0.59 per barrel) compared to $2.9 million ($0.38 per barrel) for 1998. Administration costs include fees paid to PanCanadian Petroleum Limited totalling $3.7 million in 1999 ($1.6 million in 1998) in respect of administration and support services. These fees are calculated as 2.75 percent of Canadian Oil Sands revenues less operating costs and Crown Royalty payments. In addition, the Trust incurred $393,000 of expenses in 1999 compared to $381,000 in 1998.

Financing Costs

Canadian Oil Sands' financing costs are the aggregate of the following:

	1999	1998
Interest charges on 7.625% Senior Notes	**$ 7,805**	$ 8,094
Interest rate hedging settlements	**(1,731)**	(1,814)
Standby charges on lines of credit and interest on short term borrowings	**856**	392
	$ 6,930	$ 6,672

The interest on the US$70 million of 7.625% Senior Notes is paid in US dollars. After including the interest rate hedging settlements, the effective interest rate on the 7.625% Senior Notes was 5.8 percent in 1999 compared to 6.0 percent in 1998. The details of interest rate hedging are more fully described on page 14 of this Annual Report and Note 10 of the Consolidated Financial Statements.

Income Taxes

Canadian Oil Sands is liable for both the Large Corporations Tax and corporate income taxes. During 1999, Canadian Oil Sands paid $556,000 in Large Corporations Tax compared to $395,000 paid in 1998. Large Corporations Tax is assessed on the amount of taxable capital employed by the corporation. Canadian Oil Sands did not pay corporate income tax in 1999 or 1998 as its taxable income was sheltered by payments made pursuant to the Trust Royalty and by claiming Resource Allowance and Capital Cost Allowance deductions.

The Trust is a Mutual Fund Trust for income tax purposes, and as such, is taxable only to the extent of any taxable income not allocated to its Unitholders. The Trust Royalty payments paid to the Trust by Canadian Oil Sands are taxable receipts for the Trust as is the interest received from investing activities. The Trust has eliminated its taxable income in 1999 and 1998 by deducting its administrative expenses, the amortization of Trust Unit issue costs and the amortization of the cost of the Trust Royalty. With its taxable receipts fully sheltered in 1999 and 1998, the Trust is entitled to designate its Cash Distributions as a return of capital for income tax purposes. With over $250 million of Trust Royalty costs available to shelter taxable receipts in the future, it is anticipated that the Trust will be able to distribute over $9.25 per Trust Unit as a return of capital in future years.

LIQUIDITY AND CAPITAL RESOURCES

At the end of 1998, Canadian Oil Sands had cash balances of $83.6 million and unused lines of credit totalling $250 million. During 1999, Canadian Oil Sands generated $104.4 million from operations of which $50.3 million funded capital expenditures and $54.0 million was distributed to the Trust Unitholders. A further $24.8 million of cash on hand was utilized to fund capital expenditures during 1999. At the end of 1999, Canadian Oil Sands had cash reserves of $68.9 million and unused lines of credit totalling $250 million.

At the end of 1999, Canadian Oil Sands' net debt, after deducting its cash balances of $68.9 million, was $31.9 million which represents approximately 4 months of operating cash flow using the 1999 operating cash flow of $104.4 million. At the end of 1998, net debt totalled $23.5 million, representing 0.5 times that year's operating cash flow of $48.0 million.

Certain Canadian Oil Sands' currency exchange contracts permit the collateralization of mark-to-market deficiencies in excess of US$50 million but less than US$100 million and require a Value Replacement Payment when the related mark-to-market deficiency exceeds US$100 million. On December 31, 1999, the related contracts had a mark-to-market surplus of US$27 million.

RISK MANAGEMENT

Canadian Oil Sands is subject to the operational risks inherent in the oil sands business. As a partner in the Syncrude Joint Venture, it actively participates in operational risk management programs implemented by the Syncrude Joint Venture. Its exposure to operational risks is also managed by maintaining appropriate insurance. To mitigate its exposure to financial risks such as fluctuations in commodity prices, currency exchange rates and interest rates, Canadian Oil Sands has a financial risk management program.

Insurance Coverage

Canadian Oil Sands maintains $70 million of physical loss insurance with a $5 million deductible which will mitigate property damages experienced by the Syncrude Joint Venture up to $750 million. Canadian Oil Sands also maintains $120 million of business interruption insurance, subject to a 30 day deductible period, to restore cash flow lost due to an accidental disruption in Syncrude operations.

Currency Exchange Rate Risk

Canadian Oil Sands is exposed to fluctuations in the US/Canadian currency exchange rates as a result of generating oil sales revenues in US dollars partially offset by interest payments in US dollars on its 7.625% Senior Notes. Canadian Oil Sands further reduces its currency exchange risk by entering into currency exchange contracts which fix the exchange rate in future years.

At the time of its Initial Public Offering in 1996, Canadian Oil Sands entered into a 20 year currency exchange contract which hedged approximately 35 percent of its anticipated cash flow at an exchange rate of US$0.694 per Canadian dollar through to June 2016. In the fourth quarter of 1997, approximately US$44 million of currency exchange contracts for the years 2012 through 2015 were liquidated to fund the purchase of oil price put options.

In 1998, Canadian Oil Sands entered into another currency exchange contract which fixed the exchange rate on an additional US$5 million per quarter to December 2002 at US$0.692 per Canadian dollar with the counter-party receiving an option to extend the contract for a further five years.

In 1999, the currency exchange commitments beyond June 2006 were swapped for currency exchange contracts which reduce the exchange rate on approximately 35 percent of Canadian Oil Sands' crude oil sales revenue to the end of June 2006 from US$0.694 to US$0.658 per Canadian dollar.

In 1999, currency exchange contracts for US$18 million per quarter were settled with net cash payments of $0.8 million. Included in this amount is a $2.3 million benefit from the exchange rate reduction contracted in 1999, which for accounting purposes will be deferred to future years. Accordingly, the currency exchange hedging reduced Canadian Oil Sands' revenues by $3.1 million for accounting purposes. In 1998, the currency exchange settlements reduced Canadian Oil Sands' revenues by $3.0 million. However, since the inception of Canadian Oil Sands, the currency exchange hedges have added $0.9 million to Canadian Oil Sands' cash flow.

On February 8, 2000, the mark-to-market surplus of Canadian Oil Sands' currency exchange contracts was $36 million with a Canadian/US currency exchange rate of US$0.692 per Canadian dollar. On February 10, 1999, the mark-to-market deficiency of its currency exchange contracts totalled $20 million when the Canadian/US currency exchange rate was US$0.670 per Canadian dollar.

Crude Oil Price Risk

Canadian Oil Sands is exposed to changes in crude oil prices as a result of fluctuating prices received for its oil production. This exposure to changing oil prices is hedged using oil price contracts based on New York Mercantile Exchange futures contracts as the price received for Syncrude Sweet Blend fluctuates within a narrow differential to the West Texas Intermediate price.

In early 1999, Canadian Oil Sands entered into oil price put options to provide a floor price of approximately US$16 on 1,600 barrels per day for the latter half of 1999 at a cost of $615,000. As prices continued to improve, Canadian Oil Sands entered into oil price contracts which provide a floor price of US$18.50 and a price cap of US$20.50 on 5,500 barrels per day through to September 2000 as well as contracts which provide a floor price of US$16.00 and a price cap of US$22.80 on 3,000 barrels per day through to December 2000. In 1999, Canadian Oil Sands' revenues were reduced by $3.8 million as a result of oil price hedging contracts.

In 1997, Canadian Oil Sands entered into oil price put options which provided a floor price of US$21.00 per barrel for 7,000 barrels per day for the first quarter of 1998. These options were settled with the receipt of $4.5 million by Canadian Oil Sands representing US$5.05 per barrel hedged; the cost of these options was US$0.95 per barrel.

It is management's intention to continue using oil price hedging from time to time to ensure cash flow is available to meet capital commitments and maintain reasonable levels of distributions to Unitholders.

Interest Rate Risk

Canadian Oil Sands is exposed to changes in interest rates as a result of interest payments associated with its 7.625% Senior Notes.

Subsequent to issuing the 7.625% Senior Notes, Canadian Oil Sands entered into interest rate swap agreements to minimize the carrying cost of these notes. At the end of 1997, the fixed rate US dollar payment had been exchanged for a floating rate Canadian dollar payment. During 1998, the floating rate Canadian dollar payment had been exchanged for a 5.95 percent fixed rate US dollar payment for the remaining term of the 7.625% Senior Notes. The net interest payments on the 7.625% Senior Notes have been reduced by $1.7 million in 1999 and $1.8 million in 1998.

Year 2000

During 1999, Canadian Oil Sands continued to report on its efforts to minimize the risk of Year 2000 related disruptions in its business and operations. These efforts are reported in detail in its 1998 Annual Report and 1999 Quarterly Reports to Unitholders.

Both PanCanadian Petroleum Limited and the Syncrude Joint Venture continue to be Year 2000 ready and as a result, their respective systems continued to function normally after December 31, 1999. It is anticipated that the critical systems will continue to function normally through 2000 and beyond.

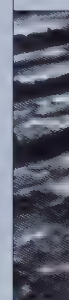
DISTRIBUTABLE INCOME

Distributable Income for 1999 totalled $54.0 million ($2.00 per Trust Unit) compared to $17.6 million ($0.65 per Trust Unit) for 1998. At the end of 1997, a Reserve for Future Production Costs had been accrued in respect of future capital expenditures and operating costs; this reserve was added to Distributable Income in the first quarter of 1998. Distributable Income, as defined in the Trust Indenture, is to be distributed to the Unitholders on the 15th day of the second month following the end of each calendar quarter. The calculation of the Trust Royalty and Distributable Income, on a consolidated basis, is as follows:

	Year Ended December 31, 1999		Year Ended December 31, 1998	
(in 000's except per Bbl amounts)	**Amount**	**Per Bbl**	Amount	Per Bbl
Revenue				
Sale of Syncrude production	**$ 227,469†**	**$ 27.88**	$ 155,516†	$ 20.35
Hedging settlements	**(4,625)***	**(0.57)**	1,584	0.21
Interest income and other	**(652)**	**(0.08)**	412	0.05
	222,192	**27.23**	157,512	20.61
Expenses				
Operating	**(102,592)**	**(12.57)**	(103,432)	(13.53)
Crown Royalties	**(4,370)**	**(0.53)**	(55)	(0.01)
Administration	**(4,775)**	**(0.59)**	(2,893)	(0.38)
Financing costs	**(6,930)**	**(0.85)**	(6,672)	(0.87)
Large Corporations Tax	**(556)**	**(0.07)**	(395)	(0.05)
	(119,223)	**(14.61)**	(113,447)	(14.84)
Operating Cash Flow	**102,969**	**12.62**	44,065	5.77
Capital Expenditures	**(75,090)**	**(9.20)**	(49,550)	(6.48)
Utilization of External Financing	**24,800**	**3.03**	17,600	2.30
Mining Reclamation Trust	**(923)**	**(0.11)**	(816)	(0.11)
Site Restoration Costs	**–**	**–**	(323)	(0.04)
Reserve–Future Production Costs	**(502)**	**(0.06)**	3,317	0.43
Base for Trust Royalty	**$ 51,254**	**$ 6.28**	$ 14,293	$ 1.87
Sales Volume (in 000's of Bbls)	**8,160**		7,643	
Trust Distributions				
Trust Royalty – 99% of Base	**$ 50,740**		$ 14,150	
Interest earned on Trust's short term investments	**3,653**		3,781	
Administration expenses of the Trust	**(393)**		(381)	
Distributable Income	**$ 54,000**		$ 17,550	
Distributable Income per Trust Unit	**$ 2.00**		$ 0.65	

† Net of the $0.05 per barrel marketing fee paid to PanCanadian Petroleum Limited.

* Including cash settlements of $2.3 million in respect of currency exchange contracts which have been deferred for accounting purposes.



OUTLOOK FOR 2000

Canadian Oil Sands' operating cash flow is sourced entirely from its working interest in the Syncrude Joint Venture with revenues subject to fluctuations in the West Texas Intermediate prices. Subject to oil price fluctuations and operating performance, Canadian Oil Sands intends to make quarterly cash distributions to its Unitholders and fund capital expenditures of a sustaining nature from its operating cash flow. While maintaining its balance sheet strength, Canadian Oil Sands intends to finance the expansion of the Syncrude Joint Venture using a combination of external financing and operating cash flow.

Syncrude Operations

Based on its 2000 budget, Syncrude expects to produce 92.5 million barrels of Syncrude Sweet Blend with a unit operating cost of $12.00 compared to 81.4 million barrels in 1999 at a cost of $12.64 per barrel. Capital expenditures are expected to total approximately $550 million including $400 million in respect of the Syncrude Joint Venture expansion. The highlights of the 2000 capital spending program are the completion of the initial train in the Aurora Mine and the engineering and design work for Stage III of the Syncrude 21 expansion plans.

With this level of anticipated capital spending, Crown Royalties payable in 2000 have been estimated in the $30 million range compared to the $4.4 million paid in 1999.

Canadian Oil Sands has developed its 2000 budget using a West Texas Intermediate price of US$19.00 and a US/Canadian currency exchange rate of US$0.68 along with the Syncrude 2000 operating budget. Based on these expectations, Unitholders should expect a $2.00 distribution in 2000, subject to fluctuations in crude oil prices and operating performance.

MANAGEMENT'S REPORT

Management is responsible for all information contained in this annual report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and include amounts based on management's informed judgements and estimates. The financial and operating information included in this annual report is consistent with that contained in the consolidated financial statements in all material respects.

To assist management in fulfilling its responsibilities, systems of accounting and internal controls are maintained to provide reasonable assurance that financial information is reliable and accurate, and that assets are adequately safeguarded.

External auditors, appointed by the Unitholders, have independently examined the consolidated financial statements and conducted a review of accounting and internal controls to the extent required under generally accepted auditing standards. They have performed such tests as they deemed necessary to enable them to express an opinion on these financial statements.

The Board of Directors also serves as the Audit Committee. The Board of Directors meets periodically with the external auditors to discuss controls over the financial reporting. In addition, the Board of Directors recommends the appointment of the external auditors, who are appointed annually by the Unitholders. The Board of Directors has reviewed the financial statements and the contents of this annual report with management and the external auditors. The Board of Directors has approved the consolidated financial statements.

C.E. Shultz R Fotheringham

C.E. (Chuck) Shultz
Chairman

R.W. Fotheringham
Chief Financial Officer

Calgary, Alberta
January 26, 2000

AUDITORS' REPORT

To the Unitholders of
Canadian Oil Sands Trust

We have audited the consolidated balance sheet of Canadian Oil Sands Trust (the "Trust") as at December 31, 1999 and December 31, 1998 and the consolidated statements of income and unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1999 and December 31, 1998 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta
January 26, 2000

CONSOLIDATED BALANCE SHEET

(thousands of dollars)	December 31 1999	1998
ASSETS		
Current Assets		
Cash	**$ 68,908**	$ 83,580
Accounts receivable	**28,110**	13,831
Inventories	**12,210**	11,486
Prepaid expenses	**212**	446
	109,440	109,343
Reclamation trust (note 14)	**2,917**	1,994
Capital assets, net of accumulated depletion, depreciation and amortization of $96,159 in 1999, $65,224 in 1998	**489,791**	445,636
Deferred charges	**4,946**	12,584
	$ 607,094	$ 569,557
LIABILITIES AND UNITHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 24,208**	$ 13,690
Distribution to Unitholders payable	**20,250**	2,700
Current portion of other liabilities (note 3)	**1,741**	2,825
	46,199	19,215
Other liabilities (note 3)	**8,276**	11,853
7.625% Senior Notes (note 5)	**100,800**	107,100
Future site restoration and reclamation costs (note 14)	**10,239**	9,019
Deferred currency exchange gain (note 6)	**2,261**	–
Preferred shares of subsidiary (note 7)	**2,000**	2,000
	169,775	149,187
Unitholders' equity (note 8)	**437,319**	420,370
	$ 607,094	$ 569,557

See accompanying notes

Approved by the Board

Director

Director

CONSOLIDATED STATEMENT OF INCOME AND UNITHOLDERS' EQUITY

(thousands of dollars except per unit amounts)	Year Ended December 31 1999	1998
REVENUES	**$ 223,585**	$ 161,293
EXPENSES		
Operating	**102,592**	103,432
Administration	**5,168**	3,273
Crown Royalties (note 12)	**4,370**	55
Interest	**6,930**	6,672
Depletion, depreciation and amortization	**32,720**	29,156
Large Corporations Tax	**556**	395
Dividends on preferred shares of subsidiary (note 7)	**300**	300
	152,636	143,283
NET INCOME FOR THE YEAR	**70,949**	18,010
UNITHOLDERS' EQUITY, BEGINNING OF YEAR	**420,370**	327,960
PROCEEDS ON ISSUE OF 4,000,000 TRUST UNITS	**–**	91,950
DISTRIBUTIONS TO UNITHOLDERS	**(54,000)**	(17,550)
UNITHOLDERS' EQUITY, END OF YEAR	**$ 437,319**	$ 420,370
NET INCOME PER TRUST UNIT	**$ 2.63**	$ 0.68
DISTRIBUTIONS PER TRUST UNIT	**$ 2.00**	$ 0.65

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of dollars)	Year Ended December 31 1999	1998
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	**$ 70,949**	$ 18,010
Items not requiring an outlay of cash:		
Depletion, depreciation and amortization	**33,493**	30,012
Cash flow from operations	**104,442**	48,022
Net change in deferred items	**(1,316)**	(2,779)
Site restoration costs	**–**	(323)
Change in non-cash working capital	**4,335**	(6,642)
	107,461	38,278
FINANCING:		
Distributions to Unitholders	**(54,000)**	(17,550)
Issuance of Trust Units	**–**	91,950
	(54,000)	74,400
INVESTMENTS:		
Reclamation trust	**(923)**	(816)
Capital assets	**(75,090)**	(49,550)
Change in non-cash working capital	**7,880**	–
	(68,133)	(50,366)
INCREASE (DECREASE) IN CASH	**(14,672)**	62,312
CASH, BEGINNING OF YEAR	**83,580**	21,268
CASH, END OF YEAR	**$ 68,908**	$ 83,580

See accompanying notes

Supplemental Information		
Large Corporations Tax Paid	**$ 556**	$ 395
Interest Charges Paid	**$ 6,930**	$ 6,672

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts are in thousands)

1. GENERAL

Effective April 22, 1999, Canadian Oil Sands Trust (the "Trust") became an open-ended investment trust formed under the laws of the Province of Alberta pursuant to a trust indenture dated April 19, 1996. The Trust commenced operations on June 20, 1996 when a subsidiary of the Trust, Canadian Oil Sands Investments Inc. ("Canadian Oil Sands"), acquired a 10 percent interest in a joint venture (the "Working Interest") involved in the mining and upgrading of bitumen from oil sands in northern Alberta (the "Syncrude Joint Venture"). The Working Interest acquired by Canadian Oil Sands is subject to a royalty interest held by the Trust equal to 99 percent of the revenues from the sale of the Working Interest share of production less certain defined costs and debt repayments incurred by Canadian Oil Sands (the "Trust Royalty").

2. SUMMARY OF ACCOUNTING POLICIES

(a) Consolidation

These consolidated financial statements include the accounts of the Trust and Canadian Oil Sands. The activities of the Syncrude Joint Venture are conducted jointly with others, and accordingly, these financial statements reflect only Canadian Oil Sands' proportionate interest in such activities which include the production volumes, operating costs, capital expenditures and associated amounts payable. Substantially all other activities and balances in these financial statements, including sales, are applicable directly to the Trust or Canadian Oil Sands.

(b) Capital Assets

Capital assets are recorded at cost and include the costs of acquiring the Working Interest, the initial issuing costs of the Trust Units and subsequent additions to property, plant and equipment. Repairs and maintenance costs are charged to expense in the period incurred. Proceeds from the sale of plant and equipment are normally deducted from the capital base without recognition of a gain or loss.

Capital costs are amortized on the unit-of-production method based on estimated proven reserves and permit life of the Syncrude Joint Venture. For purposes of the depletion provision, capital costs include additional capital costs expected to be necessary in the mining, extraction and upgrading process to recover the estimated proven reserves.

Estimated site restoration and reclamation costs are provided for on the unit-of-production method based on estimated proven reserves. Actual costs are charged against the accumulated provision when incurred.

(c) Inventories

Inventories of intermediate products of Syncrude Sweet Blend are valued at the lower of the average cost of production for the period and their net realizable value. Materials and supplies inventories are valued at the lower of average cost and replacement cost.

(d) Foreign Currency Translation

Transactions in foreign currency are translated into Canadian dollars at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period end exchange rates. Exchange gains and losses are included in earnings, except for the gains and losses on the 7.625% Senior Notes which are deferred and amortized over the remaining term of the notes.

(e) Derivative Instruments

Canadian Oil Sands enters into currency exchange rate and oil price contracts to hedge the effect of exchange rate and oil price fluctuations. Gains and losses on forward contracts are deferred and recognized as a component of the related transaction.

Canadian Oil Sands also enters into interest rate swap agreements to manage its interest rate risk. The gains and losses arising from these instruments are included in interest expense.

(f) Revenue

Revenue from the sale of Syncrude Sweet Blend and other products is recorded at the plant gate and net of a marketing fee paid to PanCanadian Petroleum Limited (see Note 11).

(g) Trust Unit Incentive Plan

The Trust has a unit based incentive plan. No compensation expense is recognized when Unit Appreciation Rights are issued. If the Unit Appreciation Rights are satisfied with a cash payment, the amount paid is charged to Unitholders' Equity. If the obligation is settled in Trust Units, no amount is recognized in Unitholders' Equity (see Note 9).

3. OTHER LIABILITIES

	1999	1998
Energy Sales Agreement and other (a)	**$ 4,852**	$ 5,779
Deferred payments on mineral lease acquisitions (b)	**1,383**	3,275
Accrued pension benefits (c)	**3,782**	5,624
	$ 10,017	$ 14,678

(a) Energy Sales Agreement and Other

Under the terms of an Energy Sales Agreement covering power purchases from a plant which provides electricity and steam to the Syncrude Joint Venture, a remaining cost of service fee totalling $3.9 million is payable in equal monthly installments until March 31, 2003. The residual amount represents the present value of future payments for assets acquired using capital lease financing.

(b) Deferred Payments on Mineral Lease Acquisitions

Canadian Oil Sands, as an owner of the Syncrude Joint Venture, has entered into agreements to purchase oil sands leases which require payments of $0.5 million in 2000 and $0.9 million in 2003.

(c) Pension Plan

Syncrude Canada Ltd., the operator of the Syncrude Joint Venture, has a defined benefit pension plan which covers

substantially all of its employees. The Plan provides pension benefits upon retirement based on length of service and the highest three years' average earnings during the last ten years of service with Syncrude Canada Ltd.

Canadian Oil Sands' 10 percent share of the present value of accrued pension benefits and the market value of the Plan assets available to provide for these benefits is as follows:

	1999	1998
Accrued pension benefits	**$ 63,433**	$ 58,182
Plan assets	**$ 74,377**	$ 64,411

The Trust will be adopting the new accounting standard for employee future benefits commencing January 1, 2000. The effect of this change will be a retroactive reduction to Unitholders' Equity for costs associated with periods prior to January 1, 2000 and the accounting for employee future benefit costs on the accrued basis thereafter. Prior to January 1, 2000, such costs have been accounted for on the cash basis.

4. BANK CREDIT FACILITIES

Canadian Oil Sands has unsecured lines of credit totalling $250 million comprised of a $220 million Revolving Term Credit Facility and a $30 million Extendible Revolving Facility. The Extendible Revolving Facility enables working capital needs to be borrowed and repaid and re-borrowed until 2004. The term of this facility may be extended on an annual basis with the agreement of the bank. Amounts borrowed through the facility bear interest at a floating rate based on Bankers' Acceptances plus 0.40 of one percent while any unused amounts are subject to a 0.12 of one percent per annum standby fee. As at December 31, 1999, there were no amounts drawn under the Extendible Revolving Facility.

The Revolving Term Credit Facility provides for funds to be borrowed and repaid and re-borrowed for a period of five years after which the amount converts to a five year term loan with semi-annual repayments. Amounts borrowed through this facility bear interest at a floating rate based on Bankers' Acceptances plus 0.50 of one percent. The unused amount of the facility is subject to a 0.125 of one percent per annum standby fee. As at December 31, 1999, there were no amounts drawn under the Revolving Term Credit Facility.

These credit agreements contain covenants which restrict Canadian Oil Sands' ability to sell assets or engage in activities other than the ownership of oil sands assets. In addition, Canadian Oil Sands has agreed to maintain its debt to total capitalization ratio at an amount less than 0.45 to 1.0 and not to make distributions to Unitholders if its debt is greater than 3.5 times its earnings before interest, taxes, depreciation and amortization, on a four quarter rolling basis.

Pursuant to its Articles of Incorporation as amended on June 6, 1996, Canadian Oil Sands shall not incur Indebtedness for Borrowed Money which when incurred exceeds 45 percent of its Borrowing Base. The Borrowing Base is defined as an amount equal to $379.8 million adjusted for acquisitions and divestitures of working interests in the Syncrude Joint Venture plus the unamortized amount of capital expenditures incurred to increase, rather than sustain, production from the Syncrude Joint Venture. As at December 31, 1999, the Borrowing Base was $472.4 million.

5. 7.625% SENIOR NOTES

On May 20, 1997, Canadian Oil Sands issued US$70 million of 7.625% Senior Notes due May 15, 2007. The 7.625% Senior Notes are unsecured obligations of Canadian Oil Sands, rank pari passu with all other unsecured and unsubordinated indebtedness and restrict Canadian Oil Sands' ability to sell assets. After giving effect to the interest rate swap agreements (see Note 10) and exchange rate fluctuations, the effective interest rate on the 7.625% Senior Notes was 5.8 percent in 1999 compared to 6.0 percent in 1998.

6. DEFERRED CURRENCY EXCHANGE GAIN

During 1999, Canadian Oil Sands received payments totalling $2.3 million related to the reduction in exchange rates. These amounts have been deferred and will be recognized as revenue in the years from which the underlying value was originally contracted (see Note 10).

7. PREFERRED SHARES OF CANADIAN OIL SANDS

Canadian Oil Sands has issued 1,000 preferred shares to PanCanadian Petroleum Limited for aggregate consideration of $2.0 million. The preferred shares entitle the holder to a cumulative annual dividend, payable quarterly, of 15 percent of the issue price of the preferred shares. The preferred shares are retractable at the option of PanCanadian under certain conditions relating to the continuation of the Trust, the disposition of the Trust Royalty, the continuation of the administrative services agreement between PanCanadian and Canadian Oil Sands and upon the non-payment of dividends for a total of five years. The preferred shares also entitle the holder to elect two directors to Canadian Oil Sands' Board of Directors.

8. UNITHOLDERS' EQUITY

A maximum of 500 million Trust Units have been created for issuance pursuant to the Trust Indenture. The Trust Units represent a beneficial interest in the Trust. All Trust Units will share equally in all distributions from the Trust and carry equal voting rights. No conversion, retraction or pre-emptive rights attach to the Trust Units.

As at December 31, 1999 and 1998, there were 27,000,010 Trust Units issued and outstanding. In 1996, there were 23,000,010 Trust Units issued for cash consideration of $319.0 million with the related underwriting fees and issue costs totalling $21.1 million capitalized as a Capital Asset. On February 19, 1998, there were 4,000,000 Trust Units issued to a syndicate of underwriters at a price of $24.00 per Trust Unit for net proceeds of $92.0 million, after $4.0 million of underwriting fees and issue costs.

(all tabular amounts are in thousands)

The Trust has a Unitholder Rights Plan (the "Rights Plan") designed to provide Canadian Oil Sands and the Unitholders with sufficient time to explore and develop alternatives for maximizing Unitholder value if a take-over bid is made for the Trust. One Right has been issued and attached to each Trust Unit outstanding and one Right attaches to each Trust Unit subsequently issued. Rights issued under the Rights Plan become exercisable when a person, and any related parties, has acquired or commences a take-over bid to acquire 20 percent or more of the Trust Units without complying with certain provisions set out in the Rights Plan. Should such an acquisition or announcement occur, each Right entitles the holder other than the acquiring person, to purchase $220 worth of Trust Units at a 50 percent discount to the market price.

9. TRUST UNIT INCENTIVE PLAN

On April 22, 1999, a Trust Unit Incentive Plan (the "Incentive Plan") was approved by the Unitholders. The Incentive Plan provides that Unit Appreciation Rights (the "Right") be granted to senior officers and directors of Canadian Oil Sands. Upon their exercise, each Right entitles the holder to be issued that number of Trust Units equal to the Unit Value Increment (the "Increment") divided by the trading price of the Trust Units on the exercise date. The Increment is the amount by which the total return on one Trust Unit from the date of granting to the exercise date exceeds 5 percent per annum, compounded annually. At the option of the Board of Directors, the holder may receive a cash payment equal to the market value of the Trust Units in lieu of Trust Units. The Rights granted are exercisable as to one-third thereof on each of the first three anniversaries and have a term of six years.

As at December 31, 1999, the Trust has reserved 250,000 Trust Units for issuance under the Incentive Plan and there have been 30,000 Rights granted with an effective date of April 22, 1999. As of December 31, 1999, none of these Rights were exercisable.

10. FINANCIAL INSTRUMENTS

The fair value of financial instruments that are included in the consolidated balance sheet, including the 7.625% Senior Notes, approximate their recorded amount due to the short term maturity of the instruments.

Canadian Oil Sands has entered into currency exchange contracts, interest rate swap agreements and oil price contracts to minimize the impact of fluctuations in currency exchange rates, interest rates and crude oil prices, respectively. Unrecognized gains (losses) on these risk management activities at the end of the respective years are as follows:

	1999	1998
Currency exchange contracts (a)	**$ 34,347**	$ (66,705)
Interest rate contracts (b)	**17,731**	15,245
Crude oil price contracts (c)	**(9,169)**	–
Total Unrecognized Gains (Losses)	**$ 42,909**	$ (51,460)

(a) Currency Exchange Contracts

In 1996, Canadian Oil Sands entered into currency exchange contracts fixing the exchange rate on US$1.5 billion at approximately US$0.694 per Canadian dollar with quarterly cash settlements until June 2016. During 1999, Canadian Oil Sands entered into offsetting currency exchange contracts which eliminated currency exchange commitments beyond June 30, 2006 and swapped the underlying value for currency exchange contracts which reduce the exchange rate from US$0.694 to US$0.658 on the remaining US$466 million of currency exchange commitments (see Note 6).

During 1998, Canadian Oil Sands entered into a currency exchange contract to fix the exchange rate on US$5 million per quarter to December 31, 2002 at approximately US$0.693 per Canadian dollar with the counter-party receiving an option to extend the contract for a further five years at the same exchange rate.

During 1999, Canadian Oil Sands settled US$72 million of currency exchange contracts at a net cost of $3.1 million. In 1998, it settled US$63 million of currency exchange contracts at a net cost of $3.0 million. These amounts have been recorded as adjustments to revenues from the sale of Syncrude Sweet Blend in the financial statements.

(b) Interest Rate Swap Agreements

Subsequent to issuing the 7.625% Senior Notes, Canadian Oil Sands entered into interest rate swap agreements to convert the fixed rate US dollar payments on the 7.625% Senior Notes to a 5.95 percent fixed rate US dollar payment for the remaining term.

In 1999, Canadian Oil Sands received payments totalling $1.7 million in respect of cash settlements on interest rate swap agreements resulting in an effective interest rate of 5.8 percent on the 7.625% Senior Notes in 1999 compared to 6.0 percent in 1998 when cash settlements totalled $1.8 million. These settlements have been recorded as a reduction of interest expense in the financial statements.

(c) Crude Oil Price Contracts

During 1999, Canadian Oil Sands entered into oil price contracts which provide a floor price of US$18.50 per barrel and a price cap of US$20.50 per barrel for 5,500 barrels per day for the period from September 1999 to September 2000. In addition, it has entered into oil price contracts which provide a floor price of US$16.00 per barrel and a price cap of US$22.80 per barrel for 3,000 barrels per day for the period from September 1999 to December 2000. Canadian Oil Sands also purchased US $16.00 oil price put options on 1,600 barrels per day at a cost of US$1.20 per barrel for the period from June 1999 to November 1999.

In 1999, Canadian Oil Sands reduced its revenues by $3.2 million in respect of the cash settlements paid pursuant to the oil price contracts and by $0.6 million in respect of the cost of oil price put options. In 1998, Canadian Oil Sands increased its revenues by $4.5 million in respect of the cash settlements received on oil price put options which provided a floor price of US$21.00 per barrel for 7,000 barrels per day of first quarter 1998 production at a cost of US$0.95 per barrel.

(d) Credit Risk

The use of financial instruments involves a degree of credit risk which Canadian Oil Sands manages through its credit policies and by selecting counter-parties of high credit quality. Canadian Oil Sands does not expect any counter-party to fail to meet its obligations.

11. RELATED PARTY TRANSACTIONS

PanCanadian Petroleum Limited was the initial promoter of the Trust, was the vendor of the Working Interest acquired by Canadian Oil Sands and holds 1,000 preferred shares of Canadian Oil Sands. PanCanadian has entered into the following agreements with Canadian Oil Sands:

(a) An administrative services agreement whereby PanCanadian provides administrative and support services to Canadian Oil Sands for an initial period extending to 2003 and receives a fee equal to 2.75 percent of the revenue from the Working Interest less operating costs and Crown Royalties. For the year ended December 31, 1999, PanCanadian received $3.7 million pursuant to this agreement ($1.6 million for the year ended December 31, 1998).

(b) A marketing agreement whereby PanCanadian markets all production from the Working Interest on behalf of Canadian Oil Sands for an initial period to 2003 and receives a fee equal to $0.05 per barrel. For the year ended December 31, 1999, PanCanadian received $0.4 million pursuant to this agreement ($0.4 million for the year ended December 31, 1998).

(c) During 1998, the owners of the Syncrude Joint Venture agreed to purchase an oil sands lease. Canadian Oil Sands' interest in this lease acquisition was $1.6 million with $0.8 million paid in 1998 and $0.8 million paid in 1999. One of the vendors in this sales agreement was PanCanadian.

(d) Pursuant to another oil sands lease sales agreement dated October 2, 1996, PanCanadian is entitled to receive a further payment of $1 million in 2003 from the owners of the Syncrude Joint Venture.

12. CROWN ROYALTY

The Alberta Crown Agreement creates a Joint Venture between the Province of Alberta as lessor and the owners of the Syncrude Joint Venture as lessees. Its purpose is to annually establish, using a deemed net profit concept, the basis on which Syncrude's annual production is to be shared by the lessor and each of the lessees.

Commencing on January 1, 1997, the Alberta Crown Agreement provides that the Province of Alberta shall be entitled to a royalty of 50 percent of the deemed net profit on the first 74 million barrels of annual production less a credit equal to 43 percent of capital expenditures. The deemed net profit is determined by deducting from the deemed gross revenue the aggregate of allowed operating costs, deemed interest expense and amortization of capital costs and any loss carry-forwards. For annual production in excess of 74 million barrels, the Province of Alberta is entitled to a royalty of 25 percent of the deemed net profit after deducting capital expenditures with a minimum payment of one percent of gross revenue. These provisions will be in effect until the earlier of December 31, 2003 or the last day of the month in which the aggregate of the Syncrude Joint Venture's capital spending incurred after December 31, 1995 exceeds $2.8 billion. To the end of 1999, the aggregate capital spending after 1995 totalled $1.8 billion.

Subsequently, the Alberta Crown Agreement will entitle the Province of Alberta to a royalty payment equivalent to 25 percent of the deemed net profit as defined above after deducting capital expenditures.

13. INCOME AND OTHER TAXES

As at December 31, 1999, Canadian Oil Sands had Undepreciated Capital Costs aggregating to $99.0 million which are deductible on a declining balance basis at an average rate of 25 percent per annum.

As at December 31, 1999, the Trust had Canadian Development Expenditures aggregating to $250.0 million which are deductible on a declining balance basis at a rate of 30 percent annually and unclaimed issue costs aggregating $7.3 million which are deductible on a straight line basis over the next three years.

14. FUTURE SITE RESTORATION AND RECLAMATION COSTS

Canadian Oil Sands and each of the other owners of the Syncrude Joint Venture are liable for their share of ongoing environmental obligations and for the ultimate reclamation upon abandonment.

Canadian Oil Sands has agreed to deposit $0.10 per barrel, rising to $0.12 per barrel in 2001 (to be adjusted for inflation) of Syncrude Sweet Blend produced and attributable to the Working Interest to a mining reclamation trust established for the purpose of funding Canadian Oil Sands' share of the Syncrude Joint Venture's environmental and reclamation obligations. Including interest earned on contributions, the reclamation trust has accumulated $2.9 million of marketable securities to December 31, 1999.

The provision for future site restoration and reclamation costs at a rate of $0.17 per barrel produced has aggregated to $1.2 million for the year ended December 31, 1999 ($1.2 million in 1998 at a rate of $0.15 per barrel). The annual provision for future site restoration and reclamation costs has been included in the provision for depletion, depreciation and amortization.

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers or other third parties have been resolved.

SUPPLEMENTAL INFORMATION (unaudited)

(thousands of dollars except as otherwise indicated)

	Year Ended December 31, 1999				Year Ended December 31, 1998			
	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	**$ 70,199**	**$ 66,037**	**$ 48,859**	**$ 37,097**	$ 37,521	$ 42,077	$ 40,297	$ 37,617
Operating costs	**(27,229)**	**(26,017)**	**(23,417)**	**(25,929)**	(25,083)	(27,151)	(24,800)	(26,398)
Crown Royalties	**(4,370)**	**—**	**—**	**—**	(55)	—	—	—
Administration	**(1,532)**	**(1,446)**	**(1,109)**	**(688)**	(692)	(835)	(780)	(586)
Financing	**(1,597)**	**(1,840)**	**(1,764)**	**(1,729)**	(1,835)	(1,746)	(1,651)	(1,440)
Large Corporations Tax	**(155)**	**(148)**	**(133)**	**(120)**	(112)	(105)	(93)	(85)
	35,316	**36,586**	**22,436**	**8,631**	9,744	12,240	12,973	9,108
Capital Expenditures	**(19,612)**	**(16,142)**	**(20,419)**	**(18,917)**	(11,702)	(13,174)	(16,306)	(8,368)
Utilization of Expansion Financing	**4,200**	**—**	**7,100**	**13,500**	3,800	5,500	5,300	3,000
Mining Reclamation Trust	**(221)**	**(248)**	**(228)**	**(226)**	(230)	(226)	(201)	(159)
Site Restoration Costs	**—**	**—**	**—**	**—**	—	—	—	(323)
Reserve — Future Production Costs	**41**	**(527)**	**(197)**	**181**	144	(2,131)	2,131	3,173
Base for Trust Royalty	**$ 19,724**	**$ 19,669**	**$ 8,692**	**$ 3,169**	$ 1,756	$ 2,209	$ 3,897	$ 6,431
Trust Royalty — 99% of Base	**$ 19,525**	**$ 19,473**	**$ 8,605**	**$ 3,137**	$ 1,738	$ 2,187	$ 3,858	$ 6,367
Interest earned on Trust's short term investments	**798**	**876**	**961**	**1,018**	1,073	1,086	1,107	515
Administration expenses of the Trust	**(73)**	**(99)**	**(116)**	**(105)**	(69)	(75)	(105)	(132)
Distributable Income	**$ 20,250**	**$ 20,250**	**$ 9,450**	**$ 4,050**	$ 2,742	$ 3,198	$ 4,860	$ 6,750
Distribution Income per Trust Unit	**$ 0.75**	**$ 0.75**	**$ 0.35**	**$ 0.15**	$ 0.10	$ 0.12	$ 0.18	$ 0.25
Cash Flow from Operations per Trust Unit	**$ 1.29**	**$ 1.35**	**$ 0.87**	**$ 0.36**	$ 0.41	$ 0.50	$ 0.52	$ 0.38
Net Income per Trust Unit	**$ 0.97**	**$ 1.03**	**$ 0.56**	**$ 0.06**	$ 0.10	$ 0.22	$ 0.22	$ 0.14
Daily Average Sales (Bbls)	**22,217**	**23,322**	**21,774**	**22,098**	23,166	22,464	21,136	16,907
West Texas Intermediate Average Price (US$)	**$ 24.51**	**$ 21.72**	**$ 17.66**	**$ 13.06**	$ 12.92	$ 14.15	$ 14.68	$ 15.95
Netback Price (per Bbl)								
Average Selling Price, after hedging settlements	**$ 34.41**	**$ 30.84**	**$ 24.84**	**$ 18.76**	$ 17.79	$ 20.24	$ 20.86	$ 24.68
Crown Royalties	**(2.14)**	**—**	**—**	**—**	(0.03)	—	—	—
Operating Costs	**(13.32)**	**(12.12)**	**(11.81)**	**(13.04)**	(11.77)	(13.14)	(12.90)	(17.34)
Netback Price (per Bbl)	**$ 18.95**	**$ 18.72**	**$ 13.03**	**$ 5.72**	$ 5.99	$ 7.10	$ 7.96	$ 7.34
Unit Trading Activity								
Unit Price ($) — High	**$ 26.25**	**$ 28.50**	**$ 24.00**	**$ 20.25**	$ 21.45	$ 20.75	$ 23.45	$ 27.25
— Low	**$ 23.25**	**$ 23.50**	**$ 19.15**	**$ 17.10**	$ 17.00	$ 15.00	$ 18.50	$ 19.60
— Close	**$ 25.75**	**$ 25.15**	**$ 23.55**	**$ 20.00**	$ 17.75	$ 20.25	$ 20.85	$ 22.40
Volume Traded (in 000's)	**4,349**	**2,907**	**2,427**	**2,053**	1,393	2,987	2,793	3,403

THE SYNCRUDE JOINT VENTURE: A TEN YEAR HISTORY

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Annual Shipments of Syncrude Sweet Blend (millions of barrels)	**81.4**	76.7	75.7	73.5	73.9	69.8	67.0	65.4	60.3	57.1
Unit Operating Costs Per Barrel	**$ 12.64**	$ 13.57	$ 13.77	$ 13.70	$ 13.69	$ 14.98	$ 15.47	$ 15.39	$ 16.51	$ 17.41
Capital Expenditures (millions of dollars)	**$ 752.4**	$ 480.5	$ 354.9	$ 213.8	$ 204.2	$ 141.5	$ 87.6	$ 79.2	$ 157.5	$ 139.1
Workforce Productivity (barrels per employee)	**22,301**	21,443	21,549	21,343	20,122	18,004	16,101	15,185	13,596	12,560

CORPORATE INFORMATION

INVESTOR AND ANALYST CONTACT

Additional information, including investor relations inquiries, may be obtained by contacting the Head Office of Canadian Oil Sands Investments Inc. at P.O. Box 2850, 150 – 9th Avenue S.W., Calgary, Alberta T2P 2S5, Telephone: (403) 290-3332, Fax: (403) 290-2777 or by email, using our website address: www.canadianoilsandstrust.com.

DISTRIBUTIONS

Subject to the approval of the Board of Directors, Unitholders are entitled to receive quarterly Cash Distributions based on the net cash flow generated by the royalty after certain costs and deductions. Quarterly distributions for 1999 were paid on May 14 to Unitholders of record on May 7, August 13 to Unitholders of record on August 6, November 15 to Unitholders of record on November 8 and February 15, 2000 to Unitholders of record on February 7, 2000. For the 2000 fiscal year, Cash Distributions will be paid on May 15 to Unitholders of record on May 8, August 15 to Unitholders of record on August 8, November 15 to Unitholders of record on November 8 and February 15, 2001 to Unitholders of record on February 8, 2001.

ANNUAL MEETING

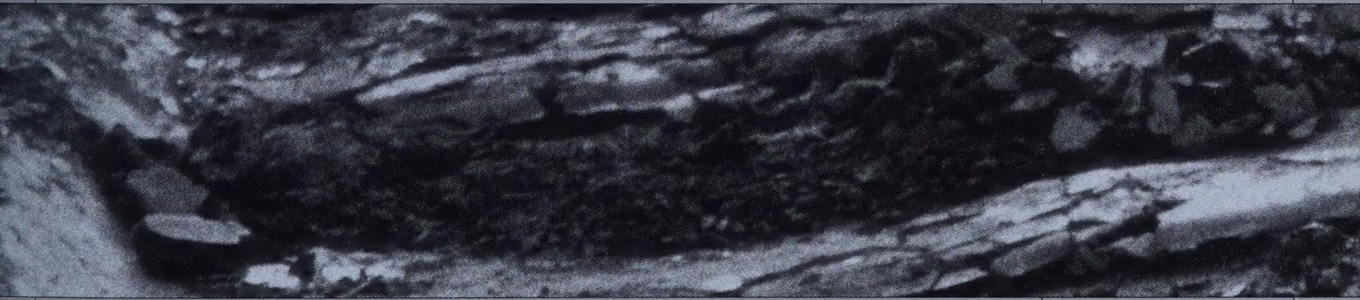
The annual meeting of Unitholders of Canadian Oil Sands Trust will be held on Wednesday, April 19, 2000 at 11:00 a.m. in the Turner Valley Room of the Palliser Hotel, 133 – 9th Avenue S.W., Calgary, Alberta.

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada, with offices in Vancouver, Calgary, Regina, Toronto, Montreal, Saint John, Charlottetown, and St. John's is the Registrar and Transfer Agent for the Canadian Oil Sands Trust Units. Montreal Trust is also the Trustee of the Trust. Unitholders' change of address or inquiries regarding Trust Units or distributions should be directed to Montreal Trust Company of Canada, Suite 600, 530 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 3S8, Attention: Stock Transfer Shareholder Communications, Telephone: (403) 267-6555.

LISTING OF TRUST UNITS

At December 31, 1999, Canadian Oil Sands' 27 million Trust Units were held by investors in Canada and internationally. The Trust Units are listed on The Toronto Stock Exchange and trade under the symbol CO.UN.



DIRECTORS

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Chairman of the Board
Chief Executive Officer, Dauntless Energy Inc.

M. M. L. Kwan
Director
Executive Vice President
and Chief Financial Officer,
PanCanadian Petroleum Limited

W. M. Newhouse
Director
President,
Newhouse Resource Management Ltd.

B.A. Stevens
Director
Chief Executive Officer,
Canadian Oil Sands Investments Inc.
General Manager Voyageur Business Unit,
PanCanadian Resources

J. B. Zaozirny, Q.C.
Director
Counsel, McCarthy Tétrault

OFFICERS

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Canadian Oil Sands Investments Inc.

R. A. Shaw, Q.C.
Corporate Secretary
Partner, McCarthy Tétrault

K.L. Wiwchar
Assistant Corporate Secretary
Partner, McCarthy Tétrault

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CANADIAN OIL SANDS TRUST
1999 ANNUAL REPORT

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